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CAMBODIA: Government forces remain dug in along Route 6 awaiting new orders from Phnom Penh following the abandonment of Rumlong.

According to the US defense attaché, over 700 Cambodian Army (FANK) troops moved out of Rumlong without incident on 13 November after FANK reinforcements had failed to break through the Communists' three-week siege of the village. The Communists have been able to immobilize the 20 FANK battalions divided into northern and southern task forces on either side of Rumlong, mostly by the use of mortar and rocket fire following the initial isolation of the garrison by ground assault.

Lon Nol has called upon his commanders to propose a course of action, but new offensive thrusts along the highway are not likely. One Cambodian General Staff officer has told the US Army attaché that since the abandonment of Rumlong there is no need to try to reopen Route 6; he said that the forces cut off north of Rumlong can be resupplied by air. He suggested that present road defenses be improved in conjunction with forays against enemy forces thought to be located west of Tang Kouk.

In the Phnom Penh area, the government on 12 November launched a nine-battalion operation commanded by Lieutenant Colonel Lon Non to counter the recent spate of enemy attacks southwest of the capital. Several skirmishes have already been reported.

Pochentong Airfield continues to be a vulnerable target. Two rocket and mortar rounds fell on the airfield on 14 November, and as a precautionary measure a number of Cambodian military aircraft have been moved to other locations. One Cambodian Air Force plane was downed in fighting just west of Phnom Penh;

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CEYLON: The economic program introduced last week appears to strengthen the leftists in Prime Minister Bandaranaike's cabinet and to reduce the chance that they might abandon her coalition government.

Although the budget and five-year development plan contain proposals for cutting back Ceylon's expensive welfare program, they also include provisions for further restricting the private sector and for limiting the size of landholdings. The package apparently satisfies Mrs. Bandaranaike's junior coalition partners, the Trotskyite Lanka Sama Samaj Party (LSSP) and the pro-Moscow wing of the Ceylon Communist Party (CCP/M). Both parties--as well as the more leftist members of Mrs. Bandaranaike's own party--were anxious that the austerity portion of the program not outweigh its "anti-capitalist" aspects. Earlier this fall, factions within the LSSP and CCP/M favored withdrawing from the government [REDACTED]

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[REDACTED] both parties now have decided to stay in.

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There has been some public protest over the austerity measures, but Mrs. Bandaranaike is moving to stem this by rescinding the proposed increase in the price of flour and by raising the sugar ration. She also has reportedly decided that the government will move to take over three prosperous private companies.

The measures are unlikely to bring about a great enough shift from consumption to investment to bring the economy into balance and alleviate Ceylon's chronic high unemployment rate. The program indicates that Finance Minister and LSSP chief N. M. Perera and other leftists in the government have strengthened their position at the expense of those on the political right and center. There is, however, no one in evidence at present who appears likely to challenge Mrs. Bandaranaike's own pre-eminent position. (SECRET NO FOREIGN DISSEM)

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HONDURAS: General Lopez, chief of the armed forces, may well be laying the groundwork for a coup after the first of the year.

In a conversation with the US ambassador, Lopez again expressed his disillusionment with the "unity" government, adding that the Cruz administration may not survive the next three or four months. He is particularly pessimistic about the fiscal situation, which he feels may be the final straw to a government already crumbling from lack of effective leadership. Expenditures for 1971 are expected to exceed revenue by some \$18 million, and, although new taxes have been levied, no results will be visible before the end of the year.

Lopez claims that he is under considerable pressure from business, labor, and the military to resume control of the government. Although he denies any such plans, he has been looking for an excuse to return to power and has enough support within the military to do so. Lopez presumably would wish to portray a take-over as necessary to save the country from chaos, and his recent meetings with leading interest groups indicate that he is initiating a "draft Lopez" campaign. (CONFIDENTIAL)

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